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COMMERCIAL AND CREDIT AGREEMENTS BETWEEN GDR AND SOVIET ORBIT COUNTRIES

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As a rule, GDR treaties with the People's Democracies are concluded by the ministers of the departments concerned and not by the foreign minister. If a departmental minister is not an SED (Socialist Unity Party) member, then the treaty is concluded, as a general rule, by the ranking SED functionary of the ministry in question.

As a rule, treaties are ratified through approval by the Ministerial Council. Treaties are confirmed by merely reading their titles under the appropriate agenda item and then getting the Ministerial Council's approval by a show of hands. The contents of the treaties are not revealed at the Ministerial Council's meetings; therefore, the individual ministers remain ignorant of the treaty contents. Some treaties are ratified by prominent SED government members (e.g. Ulbricht) during their travels in foreign countries.

Technically speaking, some of the treaties are not yet in force; however, in practice, they are treated as valid. In GDR treaties, it is of little consequence whether or not they are signed or ratified at all.

Extraordinary secrecy is practiced in the handling of these treaties. Only Geyer, the State Secretary of the Government Chancellery, maintains a complete file of all treaty documents, and that is in his "secret" division. The Ministry of Foreign Affairs keeps only a few treaties and requires Geyer's permission if it is in need of any other treaties. Such permission, if given to the Ministry of Foreign Affairs, is granted for a certain period of time only, and under numerous security precautions, which include a police guard over the documents in question. Furthermore, it is up to Geyer to determine whether a minister may permit any one of his officials, or another minister, to work on a given treaty document.

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Although German representatives in foreign countries may occasionally sign treaties, they are, in most instances, ignorant of the treaty details; in other words, they are signing a blank sheet of paper as far as they are concerned.

[The following are brief summaries of various agreements.]

1. A 1950 agreement between the governments of the GDR and USSR provides for the sale of railroad rolling stock obtained by the USSR as war booty; this rolling stock is located in GDR territory. It includes the following:

a. A total of 639 locomotives and 894 passenger cars (252 locomotives and 428 passenger cars are part of the German Reichsbahn's operating stock).

b. An undetermined number of freight cars. The number is to be determined by representatives of the USSR and GDR Ministries of Transportation one month after conclusion of treaty negotiations on the railroad car debts of the USSR, of the GDR, and of Poland.

The contracting parties agree that the locomotives and passenger cars under 1, a, above have a total value of 57 million Deutsche marks, and that prices for the freight cars to be sold to the GDR under 1, b, above are as follows: freight cars (operating rolling stock), 4,000 Deutsche marks each; freight cars (damaged rolling stock), 2,000 Deutsche marks each.

The contracting parties agree that payment for the rolling stock mentioned above is to be made from the funds available to the German Reichsbahn for services rendered in connection with transportation of passengers, baggage, and freight between the GDR and the USSR (in both directions) in transit traffic through Poland over the Polish Railroad. These transportation services are rendered according to the agreement between the USSR and GDR Ministries of Transportation of.....(date) 1950.

Starting 1 November 1949, the monthly invoices for transportation of passengers, baggage, and freight are to be submitted by the GDR Ministry of Transportation to the USSR Ministry of Transportation; after Soviet approval of the GDR invoice, this amount is applied against the GDR debt to the USSR for rolling stock. Effective 1 November 1949, the rolling stock referred to in this agreement will be GDR property.

That part of the rolling stock located inside GDR territory which is marked T-CCCP formerly belonged to the People's Republics of Rumania and Hungary, and the Republics of Czechoslovakia and Poland. The GDR promised to dispatch this rolling stock to the countries mentioned above without undue delay. To settle property rights, the GDR must negotiate with the countries concerned regarding time and procedures for returning this rolling stock to the rightful owners. Expenses for transporting this rolling stock to the GDR border will be borne by the German Reichsbahn.

2. An agreement between the GDR and the USSR puts into operation the regulations on transportation of passengers, baggage, and freight between the GDR and USSR (in both directions) in transit traffic over the Polish Railroad and on payment for these transportation services.

Passengers and goods will be transported in accordance with the "Regulations on Transit of Soviet Trains Over the Polish Railroad of .....(date) 1950."

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During their stay in the respective foreign countries the personnel accompanying the transit trains will be under the jurisdiction of that country as far as general laws and regulations are concerned; the personnel are obliged to comply with service instructions of the local railroad agencies. In disciplinary matters, the personnel are subject to their home jurisdiction. Changes or supplements to this agreement may be made by written or verbal agreements. The agreement was concluded for an indefinite period of time but may be terminated upon 6 months' notice.

The two agreements described above were initialed in Moscow during May 1950. The German initials were Kr, presumably for Kreikemeyer. The agreements were neither signed nor ratified, since they were to be signed only after the regulations on transit, etc., between the USSR and Poland were put into operation.

3. Under the credit agreement of 23 June 1950 between the GDR and Czechoslovakia, the Czech State Bank extends a 28-million-ruble loan to the GDR at an annual interest rate of 2 percent. The loan is to be used in payment for the following Czech shipments of shoes:

<u>Type of Shoes</u>	<u>Number of Pairs</u>
(To be delivered by 31 Dec 1950)	
Men's leather shoes with rubber soles	103,000
Ladies leather shoes with rubber soles	83,000
Men's leather shoes with leather soles	131,000
Men's work shoes with rubber soles	248,000
Men's and ladies' shoes with cut leather (Schnittleder soles)	277,000
Men's, ladies', and children's sneakers	79,000
Men's and ladies' house slippers	245,000
(To be delivered by 31 Dec 1951)	
Men's shoes with rubber soles	200,000
Ladies' shoes with rubber soles	300,000

Within the framework of the loan, the contracting parties may agree to quantity changes for individual merchandise categories.

The Czech State Bank will open an account "Deutsche Notenbank (German Bank of Issue) -- 1950 Credit Agreement." The invoice for the goods mentioned above will be charged against the loan account on the day of the payment /literally: initial or down payment/. Interest is charged on current account basis and added to the loan account every 6 months. Repayment of the loan will start 1 January 1952 through GDR shipments of goods; settlement is to be concluded by 31 December 1952. The contracting parties will come to an agreement on the types of goods to be delivered by the GDR during negotiations on the 1952 exchange of goods.

This agreement was signed by Rumpf, the State Secretary of Finance, in the treaty series of 23 June 1950, and was ratified by the Ministerial Council at the end of 1950; the agreement is still in force.

4. An agreement on goods and payments transactions between the GDR and the Hungarian People's Republic was concluded in Budapest on 19 November 1949 and signed in Berlin on 24 November 1949.

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Under this agreement, Hungary permits import of the goods listed in attachment A /not included in this document/; in return, the GDR agrees to import from Hungary the goods listed in attachment B /not included in this document/. Changes in and additions to these lists are permissible if agreed upon in writing by the contracting parties. Shipments will be made on the basis of contracts between Hungarian foreign trade enterprises and GDR organizations and firms. Other business deals which may be transacted between the contracting parties may also be settled through a special account, subsidiary to the clearing account. Both parties will give benevolent consideration and approval to proposals for processing, on a contract basis, of raw materials and semifinished products of the other party. This processing work is usually to be paid for through retention of part of the raw materials, semifinished goods, or finished goods. Exchange of technical experience is to be encouraged.

In the absence of contract provisions to the contrary, Hungarian shipments will be FOB railroad freight car Hungarian-Czech border, and GDR shipments will be FOB railroad freight car German-Czech border.

Payments for goods, all incidental expenses, and all other authorized transactions will be remitted by Hungary through the Hungarian National Bank in Budapest and by the GDR through the Deutsche Notenbank in Berlin. Settlement is to be made on the basis of the Hungary-GDR payments agreement of 30 June 1948. The banks will notify each other as soon as they receive payments. After receipt of the payment notice, the appropriate bank will make payment for the shipment to the firm or organization entitled to such remittance, without regard to the account balance. /E.g., a Hungarian firm pays the Hungarian National Bank for a GDR shipment. The Hungarian National Bank notifies the Deutsche Notenbank of the payment. Thereupon the Deutsche Notenbank will make payment to the German supplier/. Shipments may be continued until the balance for one of the contracting parties reaches 1,500,000 dollars. The value of a shipment will be credited in dollars and settlement will be made, in the absence of other arrangements, through the establishment of irrevocable letters of credit. The purchaser opens a letter of credit in favor of the seller, payable against submission of the proper documents through the bank located in the country of the seller. Dates for establishing letters of credit and the conditions under which payment is to be made against them must be stated in the sales contracts which will be concluded under this agreement.

The two banks will settle payment questions not connected with trade. To check the functioning of the agreement, the two countries will name representatives to watch over deliveries and payments.

If a balance remains in the account of one of the contracting parties after expiration of the agreement, the other party will compensate for this balance through merchandise shipments within 4 weeks after the expiration date of the agreement. After this 4-week period, any remaining balance will be settled through payments in negotiable foreign exchange. (The debtor may choose the currency). This agreement remains in force from 1 October 1949 to 31 December 1950, and may be extended.

This agreement was extended to a 5 year period through the agreement called Goods and Payments Transactions of 24 June 1950 (concluded by GDR representative Handke and ratified by the GDR Ministerial Council at the end of 1950). It contains only slight changes in the merchandise lists and a contractual confirmation of the foreign-trade monopoly position of DASA (German Foreign Trade Agency) as a counterpart to the State Foreign Trade Association of Hungary.

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5. Agreement, dated 26 June 1950, between the GDR and Czechoslovakia on scientific and technical cooperation.

The two countries agreed to do everything in their power to facilitate technical and scientific cooperation. For this purpose, a ten-member standing committee was set up (five members each appointed by the GDR and Czech governments). Findings of the committee must be approved by both governments within one month. The agreement was concluded for a 5-year period; if not terminated 6 months prior to its expiration date, it is automatically renewed for an additional 5 years.

This agreement was signed in Prague by Handke on 23 June 1950 and ratified, together with other treaties, by the GDR Ministerial Council at the end of 1950.

6. Agreement on financing of noncommercial dealings between the GDR and Czechoslovakia of 23 June 1950.

The following noncommercial expenses arising between the GDR and Czechoslovakia may be financed under this agreement:

- a. Living expenses for diplomatic missions
- b. Living expenses of nondiplomatic representatives and delegations on official business
- c. Expenses for representatives and delegations of "democratic" organizations
- d. Expenses for commercial and official business
- e. Expenses for participation in fairs, exhibitions, and conferences
- f. Expenses of the cultural committee
- g. Court costs, fees and penalties, notary fees, etc.
- h. Other expenses may be included in this agreement by concurrence of the contracting parties

To finance the expenditures listed above, the two contracting parties agree to imports of consumers' goods outside the established trade and payment agreement. Within 2 weeks after the signing of this agreement, both parties will set up merchandise lists (acceptable to both parties) in the amount required and will name the state trade organizations authorized to conclude the delivery contracts. Deliveries will be FOB German-Czech border. The Deutsche Notenbank will set up a non-interest-bearing Deutsche mark account in favor of the Czech State Bank, and the Czech State Bank will establish a similar Czech crown account in favor of the Deutsche Notenbank. The amounts of the loans which are to be extended under this arrangement will be determined within 2 weeks after the signing of this agreement. Changes and supplements must be made in writing. If, at the expiration of this agreement, a balance exists in one of the special accounts, it must be settled within 3 months after the expiration date. The financial agreement expires on 31 December 1950; it is automatically renewed for one year unless one of the contracting parties serves notice of contract termination one month before the end of the year.

Willi Rumpf, GDR State Secretary of Finances, signed this agreement in Prague; it remains in force, since neither party served notice of termination.

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